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March 2, 1999

Mr. Gary E. Walsh  
Executive Director  
South Carolina Public Service  
Commission  
Post Office Drawer 11649  
Columbia, South Carolina 29211

RE: Joint Petition of SmarTalk TeleServices, Inc., AT&T Corp. and AT&T  
Communications of the Southern States, Inc.

Dear Mr. Walsh:

Enclosed for filing are an original and five (5) copies of the Joint Petition on behalf of AT&T in the above-referenced matter. Also enclosed are the original and twenty-five (25) copies of the prefiled testimony of Richard Guepe.

Your assistance is greatly appreciated.

Very truly yours,

  
Francis P. Mood

FPM/kwe  
enclosure

cc: Mr. Gary E. Walsh  
Mr. F. David Butler

S. C. PUBLIC SERVICE COMMISSION  
RECEIVED  
MAR 02 1999

S. C. PUBLIC SERVICE COMMISSION  
RECEIVED  
MAR 04 1999  
UTILITIES DEPARTMENT

ACCEPTED FOR PROCESSING  
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MR 3-3-99

ACCEPTED  
Legal 20B 3-249

BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 1999-105-C

Ex Parte: SmarTalk TeleServices, )  
Inc., AT&T Corp. and AT&T ) JOINT PETITION FOR APPROVAL  
Communications of the Southern ) OF THE TRANSFER OF  
States, Inc., Petitioners ) CERTAIN ASSETS BY SMARTALK  
) TO AT&T CORP.  
IN RE: ) AND REQUEST FOR  
The Transfer of Certain Assets by ) EXPEDITED CONSIDERATION  
SmarTalk to AT&T Corp. )  
\_\_\_\_\_ )

S. C. PUBLIC SERVICE COMMISSION  
RECEIVED  
MAR 02 1999

S. C. PUBLIC SERVICE COMMISSION  
RECEIVED  
MAR 04 1999  
UTILITIES DEPARTMENT

SmarTalk TeleServices, Inc. (SmarTalk), AT&T Corp. (AT&T Corp.) and AT&T Communications of the Southern States, Inc. (AT&TCSS), pursuant to S.C. Code Ann. § 58-9-310 (1997 Cum. Supp.) and Commission Rules 103-821,836 (1976) hereby file this Joint Petition with the Public Service Commission of South Carolina (Commission). In justification and support of their Petition, Petitioners show the following:

1. SmarTalk is a California corporation in the business of developing, manufacturing, selling and providing prepaid phone products and services (including prepaid local and long-distance calling cards and prepaid wireless phones and services and is serving customers in South Carolina pursuant to a Certificate of Public Convenience and Necessity issued by the Commission and under rates and tariffs approved by the Commission.

2. AT&T Corp. is a New York corporation providing long distance telecommunications services to residential, business, and governmental customers and other telecommunications services, which include local telephone, wireless, and Internet access services, through wholly-owned subsidiary companies throughout the United States and internationally.

The wholly-owned subsidiary of AT&T Corp. providing telecommunications services in South Carolina is AT&TCSS.

3. AT&TCSS, a New York corporation, is a public telecommunications utility providing interexchange and local exchange telecommunications services within the State of South Carolina pursuant to a Certificate of Public Convenience and Necessity issued by the Commission.

4. SmarTalk holds Certificates of Convenience and Necessity in the following states: Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Washington, West Virginia, Wisconsin and Wyoming.

5. AT&T Corp. has agreed to purchase from SmarTalk, certain of SmarTalk's assets and assume certain of its liabilities. The assets include: leased real property; contracts with suppliers and customers; intellectual property (owned, licensed and patent/trademark applications); certain telecommunications equipment and facilities; office furniture and equipment; books and records; and cash on hand, accounts receivable and other current assets as shown on the balance sheet as of the closing.

6. The terms of sale and purchase are embodied in an Asset Purchase Agreement (Agreement) in proceedings filed by SmarTalk pursuant to Chapter 11 of the Bankruptcy Code in the Bankruptcy Court in the State of Delaware. In that proceeding, SmarTalk has filed a

motion for authorization to sell said assets to AT&T Corp. Under the Agreement, the closing of the transaction is expressly conditioned upon the approval by the Bankruptcy Court of the Agreement, the asset sale, the assignment and assumption of SmarTalk's contracts to AT&T Corp., and a finding of AT&T Corp. as a "good faith" purchaser. Consummation of the Agreement is also conditioned *inter alia* upon the grant of all required government approvals. The transaction is scheduled to be closed on April 1, 1999.

7. By the terms of the Agreement, AT&T Corp. will accept responsibility to fulfill outstanding obligations owed by SmarTalk to customers holding prepaid SmarTalk calling cards and prepaid SmarTalk cellular telephones prior to April 1, 1999, the anticipated date of the closing. In view of the fact that AT&T Corp. has ample financial strength, facilities, and managerial expertise to fulfill those commitments, the transaction is in the public interest. Additionally, the proposed transaction will not have a negative effect on telephone competition in South Carolina, since all of the businesses of SmarTalk are highly competitive with those of other prepaid-card and other telecommunications service providers. For this reason, too, the Commission should find that the transaction is in the public interest.

8. SmarTalk has no physical facilities in South Carolina, however, it does serve card-service customers in this state pursuant to rates and tariffs approved by the Commission. Under the Agreement, AT&T Corp. will assume liability for the unused minutes on SmarTalk's prepaid calling cards and all prepaid wireless obligations of SmarTalk. The parties are informed and believe that no customer inconvenience or increased cost of service by customers will be incurred as a result of this transaction.

9. All Smartalk service obligations to South Carolina customers assumed by AT&T

Corp., will be fulfilled by AT&TCSS. Implementation of the transaction necessitates the withdrawal of SmarTalk's rates and tariffs in South Carolina and the filing of rates and tariffs by AT&TCSS. AT&TCSS's proposed rates and tariffs, which are identical to these by SmarTalk, will be filed with the Commission.

10. Since the Agreement provides for a scheduled closing date of April 1, 1999. The parties therefore desire, and respectfully request, expedited consideration of this matter by the Commission.

11. Public Notice designed to fully apprise SmarTalk customers and the interested public will be filed pursuant to Commission instruction in newspapers of general circulation in the cities of Columbia, Greenville, Charleston, Rock Hill, Florence and Myrtle Beach and the surrounding areas of each. Affidavits of publication will be provided to the Commission.

12. The parties are jointly represented in connection with this Petition by:

Francis P. Mood  
Sinkler & Boyd, P.A.  
Post Office Box 11889  
Columbia, S.C. 29211  
(803) 779-3080

and

Roxanne Douglas  
AT&T Communications of the Southern States, Inc.  
1200 Peachtree Street, N.E.  
Atlanta, GA 30309  
(404) 810-8670

WHEREFORE, for the reasons stated herein, the Petitioners respectfully request:

1. The Commission review and approve the purchase of transfer of assets from

SmarTalk to AT&T Corp.

2. The Commission approve, as of the date of closing, the cancellation of SmarTalk's Certificate of Public Convenience and Necessity and the withdrawal by SmarTalk of its rates and tariffs in South Carolina and approve the rates and tariffs of AT&T Communications of the Southern States, Inc., which will be filed with the Commission;

3. The Commission consider the requests of this Petition on an expedited basis.

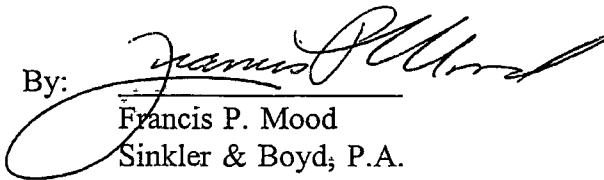
4. Such other and further relief as the Commission may deem appropriate.

SMARTALK TELESERVICES, INC.

AT&T CORP.

AT&T COMMUNICATIONS OF THE  
SOUTHERN STATES, INC.

By:



Francis P. Mood  
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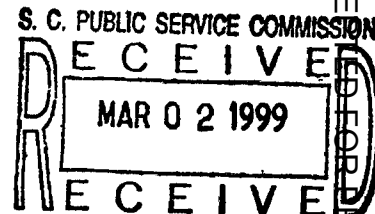
ROXANNE DOUGLAS  
AT&T Communications of the  
Southern States, Inc.  
1200 Peachtree Street, N.E.  
Atlanta, GA 30309  
(404) 810-8829

Its Attorneys

March 2, 1999

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BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
DOCKET NO. \_\_\_\_\_

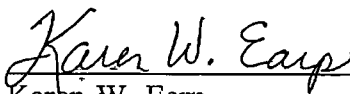


In Re: Joint Petition of SmarTalk Tele- )  
Services, Inc., AT&T Corp. and AT&T )  
Communications of the Southern States, Inc. ) CERTIFICATE OF  
\_\_\_\_\_) SERVICE

I, Karen W. Earp, the undersigned employee of Sinkler & Boyd, P.A., hereby certify that  
I have this 2nd day of March, 1999, caused a copy of the Joint Petition and the Testimony of  
Richard Guepe on behalf of AT&T in the above-referenced matter to be served via hand-delivery  
to the parties listed below:

Mr. Gary E. Walsh  
Executive Director  
Public Service Commission  
of South Carolina  
P.O. Drawer 11649  
Columbia, SC 29211

F. David Butler  
General Counsel  
Public Service Commission  
of South Carolina  
P.O. Drawer 11649  
Columbia, SC 29211

  
Karen W. Earp

March 2, 1999